




December 29, 2004




Hood Carb Countdown


IntroSource™ Source of Volume Analysis

Presented by IRI:
December 2004

Copyright © Information Resources, Inc. 2004. Confidential and proprietary.







Agenda

- Analysis Background & Objective
- Analysis Parameters
- IntroSource Methodology
- Executive Summary
- Key Conclusions
- Analysis

Copyright © Information Resources, Inc. 2004. Confidential and proprietary.







Analysis Background & Objective

- Background
 - Low Carb products began coming into the marketplace in response to the rapid consumer interest in low carbohydrate diets like, Atkins and South Beach.
 - In order to meet consumer demands, Hood was one of the first manufacturers to launch a low carb product. Hood Carb Countdown Milk was launched in Q4 2003.
- Objective
 - Understand the impact of Hood Carb Countdown Milk to the overall Fluid Milk category.

Copyright © Information Resources, Inc. 2004. Confidential and proprietary.







Analysis Parameters

- Geography
 - Total U.S. All Outlets
- Time Periods
 - Post Launch = 52 Weeks ending October 17, 2004
 - Pre-Launch = 52 Weeks ending October 19, 2003
- IntroSource™ Product
 - Hood Carb Countdown
- Sourcing Targets
 - Whole White Milk
 - Reduced Fat White Milk
 - Low Fat White Milk
 - Fat Free White Milk
 - Flavored Milk
 - Lactose Reduced / Free Milk
 - AO Fluid Milk

Copyright © Information Resources, Inc. 2004. Confidential and proprietary.







IntroSource Methodology

Hood Carb Countdown sales came from 4 potential sources:

1. Category Churn
Expected category sales
2. Brand Shifting
One brand in a buying household's purchase mix was replaced by a different brand.
$$A \rightarrow B$$
3. Category Expansion
A buying household added the new brand to its existing purchase mix, increasing its total category volume.
$$A \rightarrow A + B$$
4. New / Infrequent Category Buyers
A household that did not purchase the category in Period 1 became a category buyer, buying (at least) the new brand.
$$\rightarrow B$$

Copyright © Information Resources, Inc. 2004. Confidential and proprietary.





IntroSource Methodology

Tier Methodology

The IntroSource matches households that tried the new product to households that did NOT try to get an *accurate expectation of trier behavior*.

Bought Category in Period One and Period Two

New Product Trier Matched to New Product Non-Trier Household

- Based on historical volume purchasing

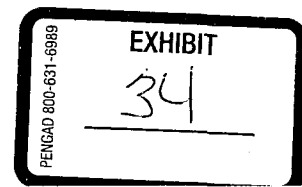
Bought Category in Period Two Only (i.e. New Category Buyers)

New Product Trier Matched to New Product Non-Trier Household

- Based on demographics because no historical volume purchasing trends exist

All matches are performed within the same market such that the households have had the opportunity to be exposed to the same promotional/pricing conditions

Copyright © Information Resources, Inc. 2004. Confidential and proprietary.



IntroSource Methodology

Category Churn

The part of new category buyer volume which is normal and expected.

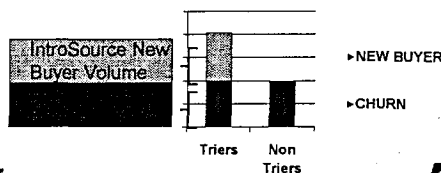
- Consumers can come in and out of some categories quite infrequently.
- In these cases, they are not just choosing between brands within a category, but also deciding whether to buy a category or not.

Provides a better measure of incremental category volume.



IntroSource Methodology

- IntroSource accurately reports all the volume accounted for by new category buyers.
- The IntroSource Model acknowledges that some of this volume is to be expected.
- Therefore, IntroSource reports the expected New Buyer volume, as well as the incremental New Buyer volume.



IntroSource Methodology

Interaction Indices

- Interaction indices are a "fair share" measurement of the interaction between brands based on their category shares.
- Interaction is considered a measure of substitutability.
- An index of 120 or greater means the brands interact more than expected. An index of 80 or less means the brands interact less than expected.
- Net Shifting Changes and Interaction Indices are independent measures. Interaction Indices relate to the total amount of volume that goes back and forth between brands, not the net change.



IntroSource Benefits Summary

- By matching triers and non-triers, based on either pre-period purchasing or demos, a more accurate expectation of trier behavior can be calculated.
- Using this matched non-trier comparison, more accurate effects of the new product can be computed.
- Only when this comparison yields a difference would the existing brand be considered a source of new product volume gain.
- Household level calculations mean that volume changes are not masked by aggregate totals.
- Point-of-trial timing provides clear pre and post period definitions.
- The ability to break out the expected level of volume from new category buyers accurately accounts for all volume from new buyers.



Executive Summary

- Hood Carb Countdown benefited from being first-to-market with a low carbohydrate milk as the brand holds over a 95% share of the low carb milk segment.
- Brand switching accounted for virtually all (98%) of Hood Carb Countdown's volume gains. The highest percentage of volume was taken from Reduced Fat White Milk.
- Hood Carb Countdown is highly substitutable with Lactose Reduced/Free Milk, Flavored Milk, and All Other Fluid Milk, based on very high interaction indices of more than 200.
- Less than one percent of the volume sourced by this product (0.5%) came from expected new buyers, also known as new buyer churn or the part of new category buyer volume which is normal and expected.
- The remaining 1% of Hood Carb Countdown's volume gains came from two sources.
 - New buyers expansion represented just 0.1% of Hood Carb Countdown's volume gains. This percentage represents unexpected new buyer volume.
 - Category expansion accounted for 1% and represents the percentage of volume from households who bought the new product in addition to other items from the category; thus increasing the household's total category volume.



Key Conclusions

- Minimal category expansion indicates that the new Hood Carb Countdown products did not substantially increase Fluid Milk consumption.
- Consumers appear to be switching from lower fat milks to the Hood Carb Countdown items as over half of the Hood volume gains are coming from reduced, low, and fat free milk.
- Despite having smaller volume gains from Lactose Reduced/Free Milk and Flavored Milk, the Hood Carb Countdown items did have higher than expected levels of switching. This implies that there is high substitutability between these products and Hood Carb Countdown items.



